

## Advocacy Study Highlights Top Locations for High-Growth Companies

by Elle Patout, Public Affairs and Media Manager

A new study published by the Office of Advocacy in May, *The Geography of Employment Growth: The Support Networks for Gazelle IPOs*, identifies specific states with the strongest support networks for companies to launch initial public offerings (IPOs). The authors, Martin Kenney and Donald Patton, are professors at the University of California-Berkeley and UC-Davis.

To create a fast growing company or gazelle, it takes an entrepreneurial support network (ESN) including skilled labor, capital, customers, and suppliers. According to this study, ESNs with the necessary strength to launch an IPO are predominantly found in California, Massachusetts, Florida, New York, and Texas. However, one city stood out as an entrepreneurial hotspot despite the absence of an entrepreneurial support network. Minneapolis-St. Paul is home to numerous medical instrument companies and claims 10 percent of the IPOs for this industrial sector.

"We are a nation of innovators, and our entrepreneurs excel at the highest standards," said Dr. Winslow Sargeant, chief counsel for advocacy. "The IPO process is a completion of a major financial milestone in a company's development, creating more jobs and opportunity at home."

"We must expand business sectors that can thrive without a support network and build support networks for industries that require them. With these steps in place and as the economy continues to improve, I believe Minneapolis-St. Paul will be one of many cities outside the traditional geographical regions for gazelles."

Basic highlights from the study include:

- California leads the nation in high-growth businesses that have the potential to enter the stock market through an IPO.
- Massachusetts is home to the highest concentration of IPOs per capita.
- Minneapolis-St. Paul holds 10 percent of all the IPOs in the medical instruments industrial sector.

As a result of this study, the authors believe next steps should include:

- Focusing on more successful firms that can be created despite an absence of a support network.
- Creating an environment that strengthens the partnership between university and high-growth startups.
- Moving away from the practice of recruiting businesses through financial incentives and instead, creating an entrepreneurial support network within the region.

For the full report, visit [www.sba.gov/advocacy/7540/623801](http://www.sba.gov/advocacy/7540/623801).



Chief Counsel for Advocacy Winslow Sargeant and Region X Advocate Jennifer Clark visiting Tango Commuter Cars in Spokane, Washington. (Story on page 3.)

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## Regulatory News

### Solicitor of Labor Participates in Small Business Safety and Health Roundtable

by Bruce Lundegren, Assistant Chief Counsel

On May 17, the Solicitor of the U.S. Department of Labor, M. Patricia Smith, spoke at Advocacy's regular small business roundtable on occupational safety and health issues.

Smith covered a wide range of legal topics under the Labor Department's purview, including many issues of interest to small business. She discussed the agency's recent effort to enter into corporate-wide settlement agreements for violations of department rules. Under these agreements, employers

agree to effect compliance changes at all of their facilities, not just the facility where an alleged violation occurred. Smith also discussed the agency's opposition to safety incentive programs that reward injury-free workplaces because the agency fears these programs might actually discourage employees from reporting workplace injuries or illnesses.

In her remarks, Smith stressed her belief in the rigorous enforcement of labor laws and stated that well-publicized enforcement actions

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## Advocacy Staff News

### Elizabeth Horowitz Appointed Director of Public Affairs and Information

In April, Elizabeth Horowitz was appointed director of the Office of Advocacy's Office of Public Affairs and Information. As director, Horowitz coordinates Advocacy's public outreach to the small business community, trade associations, and legislators. She joined the office in 2011 as confidential assistant to the chief counsel and went on to serve as congressional and

legislative affairs specialist. She has five years of Capitol Hill experience in both the Senate and the House. Her educational background includes a bachelor of arts in political science and criminal justice from the University of Arkansas.

Horowitz can be reached at (202) 205-6934 or [elizabeth.horowitz@sba.gov](mailto:elizabeth.horowitz@sba.gov).



### Elle Patout Joins Advocacy as Public Affairs and Media Manager

In May, Elle Patout joined the Office of Advocacy as public affairs and media manager. Patout most recently served on Capitol Hill as communications director for a House coalition, and previously, as press secretary of the Senate Small Business Committee. She brings significant journalism experience to the job, having worked in two local television markets in

Alabama and Georgia as anchor, reporter, producer, and photographer, and interning for one of the national networks in Atlanta, Georgia.

Patout is a graduate of Grady College of Journalism and Mass Communication at the University of Georgia. She can be reached at (202) 205-6941 or [elle.patout@sba.gov](mailto:elle.patout@sba.gov).

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## Message from the Chief Counsel

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### Manufacturing: Alive and Well in the Great Northwest

by Dr. Winslow Sargeant, Chief Counsel for Advocacy

Last week, I traveled through Utah, Montana, Washington, and Idaho.

I could not have kicked off my week any better than hearing about small business success in Salt Lake City, Utah. Surrounded by successful small business owners and irreplaceable SBA lenders, I was able to celebrate all of them at the 2013 SBA Awards luncheon.

Following my visit in Salt Lake City, I was able to visit with a number of small business owners including a few small business manufacturers. Despite the common misconception, I have to say manufacturing is alive and well.

In 1997, Ron Nilson bought a 15-year-old mining equipment company in Post Falls, Idaho, and expanded the business through SBA-backed loans. Today, Ground Force Manufacturing LLC builds the world's largest water trucks, the world's largest fuel and lube trucks, and the most diverse line of mine support equipment in the industry. Nilson hopes to take the company to another level by hiring an additional 125 employees. The new employees will help Ground Force expand into even more overseas markets.

For several years, Tamarack Aerospace Group in Sandpoint, Idaho, has been designing and manufacturing improvements to aircraft. Led by Nick Guida, they now work with the Idaho Department of Labor to take interns interested in careers in aviation. And they have even hired one of them.

In Spokane, Washington, Commuter Cars Corporation is producing the Tango, an electric car with significant potential to decrease commuter time. The Tango can travel up to 200 miles at 70 miles an hour on a single

charge. Unfortunately, the relatively high price keeps many from leaving the manufacturer.

Three different companies. Two different states. One problem: access to capital is a consistent roadblock.

**Access to Capital.** Capital for starting a small business averages roughly \$80,000 a year per firm according to the Kauffman Firm Survey. To start a business, you need money, and to expand a business, you need money. If Ground Force garnered enough capital to expand into more overseas markets, they would be able to pay more welders and mining equipment manufacturers, creating more jobs here at home. With sufficient capital, Tamarack could expand manufacturing and hire more engineers to develop even more aviation improvements. With more capital, Commuter Cars could hire more employees, expand their markets abroad, and lower the cost of this promising commuter car here in America.

Visiting these three companies highlighted the current success and the future potential of smaller manufacturers in cutting-edge industries. While celebrating their success, I also learned about more barriers beyond access to capital.

**Regulation.** While regulations are necessary to protect health and safety, each of these three innovators has come face-to-face with regulatory hurdles.

Like many advanced manufacturers, these companies have all been in situations where regulatory agencies were regulating to the status quo, and not for their new technologies. This creates delays and uncertainty, making it difficult to find funding, which suppresses growth. One of Advocacy's most important roles is to bring the concerns of small businesses to the parts of the federal government that need to hear them, and now I can report back about the concerns of these small manufacturers of cutting-edge technology.

*Continued on page 4.*



Chief Counsel Sargeant, Ground Force Manufacturing President/CEO Ron Nilson, and Region X Advocate Jennifer Clark at the company in Post Falls, Idaho.



## **Manufacturing, from page 3**

### **Workforce Development.**

Though there are challenges, these firms are growing, which leads to problem number three: finding a skilled workforce.

During my trip out West, I was reminded of the widening skills gap in America's workforce. In Idaho, I learned that Ground Force wants to hire more employees, but they need employees with the correct skills for their company. If we want to keep American manufacturing alive and well, we must train our workforce for the jobs here at home.

I was pleased to see a program in Spokane, Washington, that is ahead of the curve. Avista's Center for Entrepreneurship on the Spokane Community College campus opened my eyes to another valuable public-private partnership making significant strides in the entrepreneurial community. Through this hands-on program, people like Sharmaine Nichole are

able to open their own business, and in her case, create two jobs now, with the potential to create 10 more by the end of the year. The program will soon be expanding to Idaho, as well.

As chief counsel, I hear about small business triumphs as well as

their struggles. On this trip, I was able to congratulate SBA award winners and learn what our office needs to do to keep small firms moving forward.

Who says manufacturing is dead? I have to say manufacturing is alive and well.



Steve Babin (right) of Tamarack explains aviation design features to Dr. Sargeant; Mike Matthews, state director for Senator Jim Risch; Wallace Hsueh, deputy staff director of the U.S. Senate Committee on Small Business and Entrepreneurship; and Jennifer Clark, Region X advocate.

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